

JUN 26 1989

We have completed our review of your Application for Recognition of Exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

You primary purpose is to advertise, exhibit and promote interest in new motor vehicles and automotive equipment handled by members of this corporation and distribute information regarding effective methods of advertising and business of members for the purpose of exchanging ideas.

The membership of your organization consists of any person, firm or corporation holding a sales and service agreement with [REDACTED] with its principal place of business in the [REDACTED] Area.

The by-laws of your organization in Article [REDACTED] states that "each member shall contribute to the corporation a sum of \$[REDACTED] for each new [REDACTED] motor vehicle purchased by such member from [REDACTED] in the U.S.A."

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

[REDACTED]

Income tax regulation 1.501(c)(6)-1 states that the activities of a business league "should be directed to the improvement of business conditions in one or more lines of business." A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. A stock or commodity exchange is not a business league, a chamber of commerce or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax....".

In National Muffler Dealers Association, Inc. v. U.S. 440, U.S. 472 (1978) a trade association confined its membership to dealers franchised by a particular company and its activities to the business of that company. In this case, the court ruled that the organization was not entitled to exemption under section 501(c)(6) since its activities and membership do not serve the industry as a whole but only a segment of a line of business.

Based on the information contained above, we hold that you are not entitled to exemption under section 501(c)(6) of the Code since your membership is limited to the persons, firms and corporations holding a sales and service agreement with one particular segment of the automotive industry. [REDACTED]. Further, your primary activity is the publication of advertisements in the sale of products and services of this company and its representatives.

As a taxable entity, you are required to file Federal income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Enclosure: Publication 892